

WASTE MANAGEMENT SERVICE DISTRICT #5
A COMPONENT UNIT OF BEAVER COUNTY, UTAH
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2006
WITH REPORT OF
CERTIFIED PUBLIC ACCOUNTANTS

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TABLE OF CONTENTS

INTRODUCTION SECTION	<u>Page</u>
Title Page.....	1
Table of Contents.....	2
FINANCIAL SECTION	
Report of Independent Accountants.....	4
Management's Discussion and Analysis.....	6
Basic Financial Statements:	
Statement of Net Assets	10
Statement of Revenues, Expenses and Changes In Net Assets	11
Statement of Cash Flows	12
Notes to the Basic Financial Statements	13
Supplementary Information:	
Statement of Revenues, Expenses and Changes in Net Assets-Budget and Actual.....	23
OTHER COMMUNICATIONS FROM INDEPENDENT AUDITORS	
Independent Certified Public Accountants' Report on Compliance with Laws & Regulations & on Internal Control over Financial Reporting Based on an Audit of Basic Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i>	25
Independent Certified Public Accountants' Report on State Legal Compliance.....	27

FINANCIAL SECTION



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

Independent Auditors' Report on the Basic Financial Statements

Administrative Control Board
Waste Management Service District #5
P. O. Box 278
Milford, UT 84751

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

We have audited the accompanying basic financial statements of Waste Management Service District #5, a component unit of Beaver County, as of December 31, 2006, and for the year then ended, as listed in the Table of Contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Waste Management Service District #5, as of December 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 9, 2007 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 6 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waste Management Service District #5's basic financial statements. The budgetary information on page 23 is presented for purposes of additional analysis and is not a required part of the audited financial statements. The statement of revenues, expenses, and changes in net assets – budget and actual has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

July 9, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of Waste Management Special Service District #5's "District" financial performance provides an overview of the District's financial activities for the year ending December 31, 2006. This report is in conjunction with the District's financial statements, which are part of this report.

The purpose of the District is to provide property and equipment and other funds for the operating costs for solid waste disposal service to the residents and municipalities of Beaver County.

FINANCIAL HIGHLIGHTS

Total Revenue increased by \$78,027.00 and Operating Expenditures increased by \$24,943.00. Capital Assets increased in the amount of \$29,621.00. This increase in Assets came primarily from repairs to Landfill Equipment, with a large portion of the increase coming from repairs to the Beaver Landfill Compactor.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Revenues, Expenses and changes in Net Assets provide information about the activities of the District as a whole. These statements tell how these services were financed in the short term as well as what remains for future spending.

REPORTING THE DISTRICT AS A WHOLE

The District realizes the Revenue from three sources; Revenue received from Charges for Services - Landfill Revenue, Mineral Lease Revenues received from the State of Utah and Investment Income.

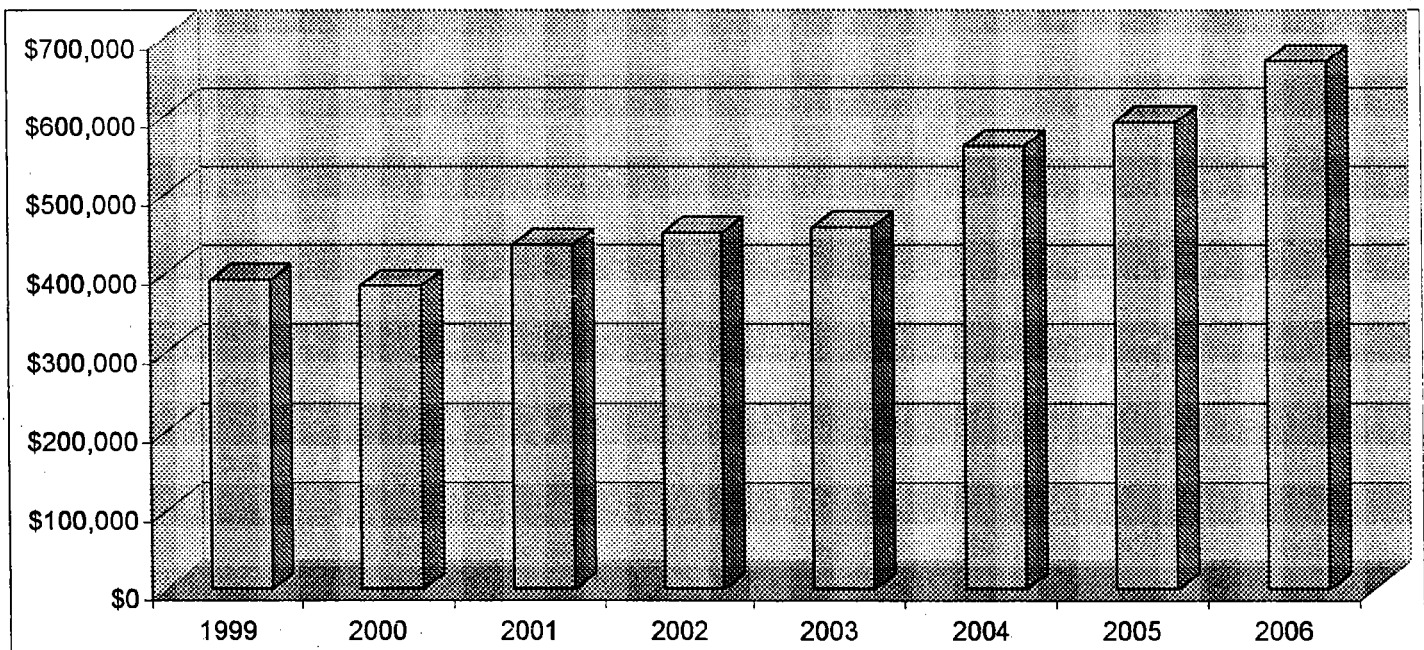
CONTACTING THE DISTRICT'S TREASURER

This financial report is designed to provide the citizens with a general overview of the District's finances and to show accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Tonya Asay, P.O. Box 278, Milford, Utah 84751. Phone# (435) 386-2530.

Beaver County Service District #5 **Revenue - Eight Year Comparison**

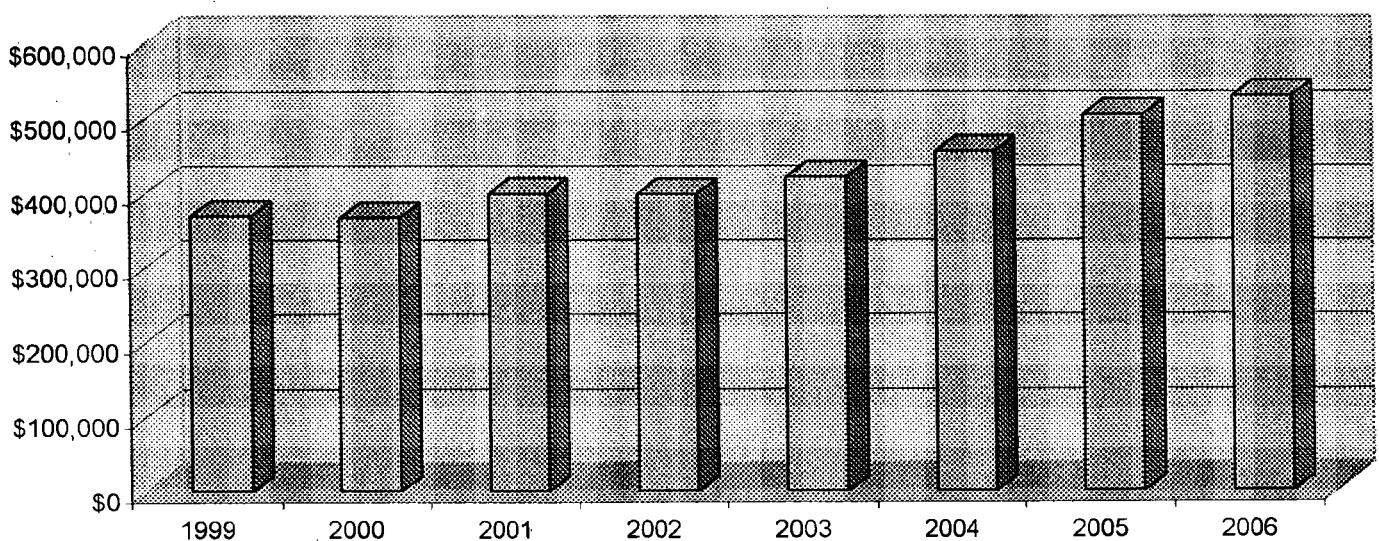
	1999	2000	2001	2002	2003	2004	2005	2006
Charges for Services	\$264,758	\$249,926	\$277,383	\$297,881	\$290,561	\$403,165	\$418,007	\$475,296
Mineral Lease/PILT Revenue	\$121,824	\$128,468	\$151,548	\$146,650	\$157,839	\$147,871	\$156,405	\$162,209
Investment Income	\$4,450	\$5,050	\$6,658	\$6,442	\$8,929	\$9,794	\$17,195	\$32,129
Total Revenue	\$391,032	\$383,444	\$435,589	\$450,973	\$457,329	\$560,830	\$591,607	\$669,634

Total Revenue



Beaver County Service District #5 **Expenditures - Eight Year Comparison**

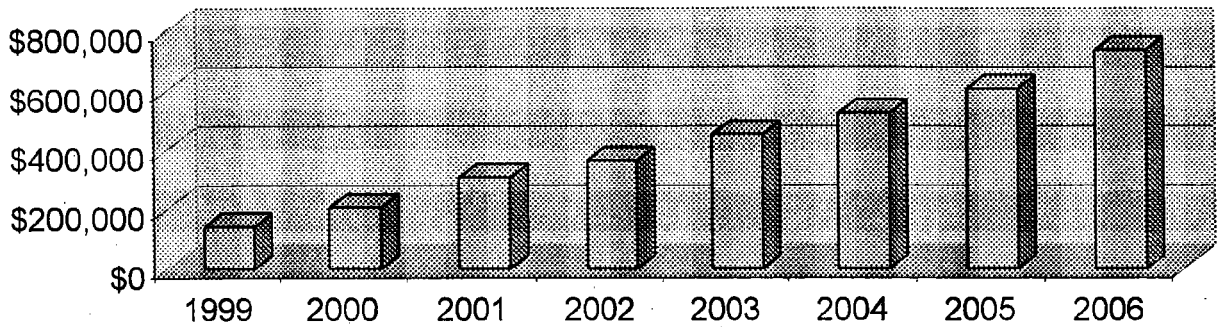
	1999	2000	2001	2002	2003	2004	2005	2006
Collection Expense	\$136,211	\$138,348	\$146,933	\$147,960	\$147,389	\$152,776	\$152,137	\$177,214
Advertising	\$541	\$320	\$37	\$316	\$21	\$136	\$159	\$436
Bad Debt Expense	\$973	\$1,210	\$1,600	\$0	\$0	\$72	\$0	\$1,660
Bank Charges	\$24	\$184	\$17	\$0	\$0	\$74	\$0	\$0
Bond Expense	\$425	\$500	\$510	\$510	\$760	\$510	\$510	\$510
Depreciation Expense	\$43,261	\$40,792	\$40,544	\$41,622	\$46,909	\$48,886	\$60,055	\$72,816
Equipment Expense	\$1,648	\$176	\$0	\$0	\$0	\$0	\$0	\$0
Employee Benefits	\$6,782	\$8,174	\$10,144	\$0	\$0	\$0	\$0	\$0
Fines and Penalties	\$747	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fuel	\$5,348	\$7,895	\$6,372	\$5,097	\$7,626	\$10,893	\$15,202	\$16,139
Insurance Expense	\$33,258	\$29,671	\$37,501	\$41,706	\$43,192	\$48,246	\$47,879	\$46,991
Legal and Professional	\$10,552	\$13,640	\$9,446	\$6,513	\$8,967	\$7,224	\$21,507	\$7,106
Landfill Expense	\$113	\$109	\$0	\$0	\$0	\$0	\$0	\$0
Miscellaneous Expense	\$5,345	\$2,926	\$2,818	\$1,733	\$2,545	\$4,466	\$1,400	\$2,655
Office Expense	\$6,088	\$5,793	\$15,201	\$7,437	\$7,667	\$4,425	\$4,739	\$5,766
Outside Services	\$1,590	\$1,258	\$0	\$0	\$0	\$0	\$0	\$0
Payroll Tax Expense	\$6,558	\$5,857	\$6,943	\$7,137	\$7,440	\$8,027	\$12,237	\$12,888
Closure and Post Closure Expense	\$6,792	\$18,520	\$20,215	\$19,625	\$17,910	\$17,345	\$46,656	\$25,069
Rent and Lease Expense	\$2,818	\$1,222	\$0	\$500	\$450	\$400	\$400	\$400
Repairs and Maintenance	\$7,001	\$5,299	\$7,358	\$7,531	\$14,350	\$26,720	\$11,455	\$19,811
Retirement Expense	\$0	\$0	\$0	\$10,659	\$10,207	\$9,510	\$11,863	\$13,444
Salaries and Wages	\$84,983	\$76,549	\$86,329	\$93,296	\$98,493	\$106,127	\$110,627	\$117,418
Travel and Meals Expense	\$1,798	\$871	\$1,397	\$946	\$1,058	\$2,107	\$180	\$2,291
Utilities	\$5,247	\$6,311	\$5,736	\$5,771	\$5,979	\$7,529	\$6,598	\$6,678
Licenses & Fees	\$0	\$0	\$0	\$0	\$48	\$265	\$1,745	\$1,000
	\$368,103	\$365,625	\$399,101	\$398,359	\$421,011	\$455,738	\$505,349	\$530,292



Beaver County Service District #5
Cash and Cash Equivalent - Eight Year Comparison
as of December 31st

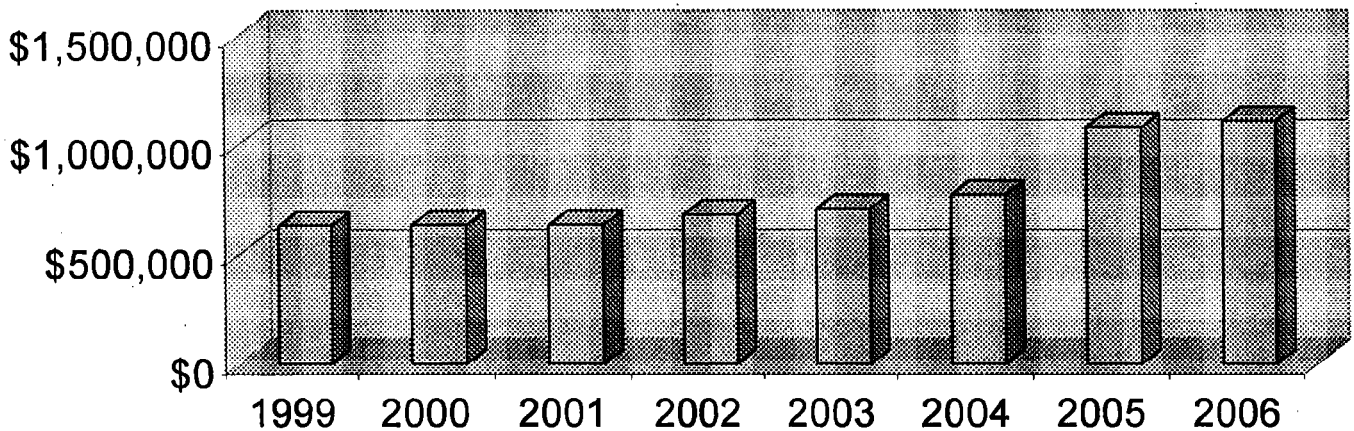
1999	2000	2001	2002	2003	2004	2005	2006
\$141,443	\$204,770	\$305,770	\$361,583	\$449,971	\$521,815	\$604,583	\$735,325

Cash and Cash Equivalent



1999	2000	2001	2002	2003	2004	2005	2006
\$628,549	\$631,222	\$631,222	\$678,829	\$705,409	\$770,334	\$1,078,539	\$1,108,160

Fixed Assets



WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Statement of Net Assets
December 31, 2006

	Proprietary Fund
Assets	
Current assets:	
Cash and cash equivalents	\$ 717,048
Accounts receivable, net of \$4,000 allowance	72,281
Due from other governments	12,718
Total current assets	<u>802,047</u>
Noncurrent assets:	
Restricted cash and cash equivalents	18,277
Prepaid expenses	13,088
Capital assets, net of accumulated depreciation:	
Improvements	138,311
Vehicles	5,008
Equipment	401,489
Furniture & fixtures	582
Buildings	17,122
Land	18,163
Total capital assets	<u>580,675</u>
Total noncurrent assets	<u>612,040</u>
Total assets	<u>1,414,087</u>
Liabilities	
Current liabilities:	
Accounts payable	15,465
Capital leases due within one year	74,405
Total current liabilities	<u>89,870</u>
Noncurrent liabilities:	
Post closure payable	263,136
Capital leases due in more than one year	77,322
Total noncurrent liabilities	<u>340,458</u>
Total liabilities	<u>430,328</u>
Net Assets	
Invested in capital assets, net of related debt	428,948
Restricted for closure & post closure costs	18,277
Unrestricted	536,534
Total net assets	<u>\$ 983,759</u>

The accompanying notes are an integral part of the financial statements.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended December 31, 2006

	Proprietary Fund
Operating revenues	
Charges for services	\$ 475,296
Operating expenses	
Collection expense	177,214
Advertising	436
Bad debt expense	1,660
Bank charges	-
Bond expense	510
Depreciation expense	72,816
Fuel	16,139
Insurance expense	46,991
Legal & professional fees	7,106
Licenses & fees	1,000
Miscellaneous expense	2,655
Office expense	5,766
Payroll tax expense	12,888
Closure & post closure expense	25,069
Rent & lease expense	400
Repairs & maintenance	19,811
Retirement expense	13,444
Salaries & wages	117,418
Travel & meals expense	2,291
Utilities	6,678
Total operating expenses	530,292
Net operating loss	(54,996)
Non-operating income (expenses)	
Gain (loss) on disposal of assets	-
Intergovernmental revenue	162,209
Interest income	32,129
Interest expense	(9,422)
Total nonoperating revenue (expenses)	184,916
Change in net assets	129,920
Total net assets--beginning	853,839
Total net assets--ending	\$ 983,759

The accompanying notes are an integral part of the financial statements.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Statement of Cash Flows
For the Year Ended December 31, 2006

	Proprietary Fund
Cash flows from operating activities:	
Cash received from customers	\$ 489,526
Cash paid to suppliers	(297,624)
Cash paid to employees	(143,750)
Net cash provided by operating activities	<u>48,152</u>
Cash flows from capital and related financing activities:	
Purchase of property and equipment	(29,621)
Capital lease principal payments	(71,273)
Capital lease interest payments	(9,422)
Intergovernmental revenue	<u>160,777</u>
Net cash provided by capital and related financing activities	<u>50,461</u>
Cash flows from investing activities:	
Interest revenue	<u>32,129</u>
Net cash provided by investing activities	<u>32,129</u>
Net increase in cash and cash equivalents	130,742
Cash and cash equivalents at beginning of year	<u>604,583</u>
Cash and cash equivalents at end of year	<u><u>\$ 735,325</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (54,996)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation	72,816
Post closure expense	25,069
(Increase) decrease in accounts receivable	14,230
(Increase) decrease in prepaid expenses	(6,308)
Increase (decrease) in accounts payable	<u>(2,659)</u>
Net cash provided by operating activities	<u><u>\$ 48,152</u></u>

The accompanying notes are an integral part of the financial statements.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2006

Note 1. Summary of Significant Accounting Policies

NATURE OF ORGANIZATION

Waste Management Service District #5, (the Service District) is a component unit of Beaver County, Utah. The Service District was established by resolution of the Board of County Commissioners of Beaver County on August 2, 1993, pursuant to the provisions of Chapter 23, of Title 11, Utah Code Annotated, 1953, to provide solid waste disposal services to the territory which includes the unincorporated areas of Beaver County and the municipalities of Beaver District, Milford District and Minersville Town. Four members of the Control Board of the Service District are appointed by the Beaver County Commissioners, and each community appoints a board member. There are no other agencies or component units that should be associated with these financial statements.

BASIS OF PRESENTATION-FUND ACCOUNTING

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The District's only fund is an enterprise fund.

BASIS OF ACCOUNTING

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The only fund of the District is an enterprise fund. The accrual basis of accounting is generally followed as revenues are from services which are susceptible to accrual and expenditures are recorded when the liability is incurred. The District applies all applicable GASB pronouncements as well as FASB pronouncements issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted assets are available for use, it is the District's policy to use restricted assets first, and then unrestricted assets as they are needed but reserves the right to be selective in the use of such restricted assets that best fit District needs.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2006

Note 1. Summary of Significant Accounting Policies, Continued

BUDGET POLICY AND PROCESS

The Service District adopts an annual budget. The budget is prepared on the accrual basis. The Service District is required to submit the budget to the Utah State Auditor's Office after it has been adopted by the Board. Budgetary information has not been amended during the year. Budget appropriations lapse at year-end.

ENCUMBRANCES

Encumbrance accounting is not used.

CASH AND CASH EQUIVALENTS

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NET ASSETS

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors. A portion of net assets is restricted to provide funding to pay costs expected to close the District's landfill.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2006

Note 2. Deposits and Investments

Deposits and investments of the District at December 31, 2006 consisted of the following:

Cash on hand	\$ 240
Deposits	
Cash in bank	100,218
Investments	
State treasurer's investment pool	634,867
	<u>\$ 735,325</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets is as follows:

Unrestricted cash and cash equivalents	\$ 717,048
Restricted cash and cash equivalents	18,277
	<u>\$ 735,325</u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

For deposits this is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, none of the District's bank balance of \$106,921 was exposed to custodial credit risk because it was uninsured and uncollateralized.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2006

Note 2 Deposits and Investments, Continued

Investments

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2006

Note 2. Deposits and Investments, Continued

As of December 31, 2006 the District had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah State Public Treasurer's Investment Fund	\$ 634,867	\$ 634,867	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 634,867</u>	<u>\$ 634,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At December 31, 2006 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah State Public Treasurer's Investment Fund	\$ 634,867	\$ -	\$ -	\$ -	\$ 634,867
Total Fair Value	<u>\$ 634,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 634,867</u>

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2006

Note 3. Capital Assets and Depreciation

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Depreciation has been provided over the estimated useful lives of the assets using the straight-line method as follows:

	Useful Life (Years)	Balance at December 31, 2005	Additions	Deletions	Balance at December 31, 2006
Capital assets, not being depreciated:					
Land		18,163	-	-	18,163
Capital assets, being depreciated:					
Improvements	15-40	\$ 194,912	\$ 9,164	\$ -	\$ 204,076
Vehicles	5	44,934	-	-	44,934
Equipment	3-15	715,806	20,457	-	736,263
Furniture and Fixtures	3-15	7,846	-	-	7,846
Buildings	7-20	96,878	-	-	96,878
Total capital assets, being depreciated		1,060,376	29,621	-	1,089,997
Less: accumulated depreciation for:					
Improvements		(55,517)	(10,248)		(65,765)
Vehicles		(35,644)	(4,282)		(39,926)
Equipment		(285,304)	(49,470)		(334,774)
Furniture and Fixtures		(6,917)	(347)		(7,264)
Buildings		(71,287)	(8,469)	-	(79,756)
Total accumulated depreciation		(454,669)	(72,816)	-	(527,485)
Total capital assets, being depreciated, net		605,707	(43,195)	-	562,512
Net capital assets		\$ 623,870	\$ (43,195)	\$ -	\$ 580,675

Note 4. Major Contracts

A garbage collection contract was entered into during 1994 with Laidlaw Waste Systems Inc. It became effective on October 1, 1993 and allowed for 5 years of garbage pickup. The contract allowed for charges of \$5.49 per residence for semi-automatic pickup with additional garbage cans and dumpsters charged at \$2.99 and \$30 each, respectively. A new contract was signed by the District, which became effective October 1, 1998. This contract was with Allied Waste Services, and allowed for charges of \$4.75 per residence with additional garbage cans charged at \$2.59 each. On January 24, 2001, the District approved a 20 cent per residence rate increase, bringing the residential rate to \$4.95 per residence. A five year extension to the contract with Allied Waste Services was approved by the District in 2004. The extension did not provide for any change in the rates charged by Allied to the District. Effective January 2006, the rate increased \$0.90 to \$5.85 per residence. The charge for additional cans remained the same at \$2.59 each. On May 1, 2006, Allied Waste Services transferred the District's contract to Mosdell Sanitation with no changes.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2006

Note 5. Defined Benefit Pension Plan

Plan Description. The District contributes to the Local Governmental Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake District, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Noncontributory Retirement System the District is required to contribute 11.09% through June 30, 2006 and 11.59% thereafter of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The District contributions to the Noncontributory Retirement System for 2006, 2005 and 2004 were \$11,461, \$10,293, and \$9,510, respectively. The contributions were equal to the required contributions for each year.

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2006

Note 6. Closure and Post Closure Care Cost

State and federal laws and regulations require the District to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the District reports a portion of these closure and post closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The District is currently operating two landfills. At December 31, 2006, one of the two landfills was licensed and permitted as a class IV landfill. The second landfill was licensed and permitted as a Class I landfill. The Class IV and Class I closure and post closure liability estimates have been completed and are summarized below.

The \$263,136 reported as landfill closure and post closure care liability at December 31, 2006, represents the cumulative amount reported to date based on the use of the estimated capacity of the landfill currently in use. The District will recognize the remaining estimated cost of closure and post closure care of \$13,211 for the Class IV landfill and \$584,794 for the Class I landfill as the remaining estimated capacity of the cell is filled. These amounts are based on what it would cost to perform all closure and post closure care in 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations. The District expects the Class IV landfill to last about 246 years and the Class I landfill to last about 30 years. It is estimated that 17.7% of the Class IV landfill's capacity has been used to date, and that 30.8% of the Class I landfill's capacity has been used to date.

The District is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and post closure care. The District is in compliance with these requirements, and at December 31, 2006, cash of \$634,868 was held for these purposes.

Note 7. Long-term Debt

The District has entered into a lease agreement as lessee for financing the acquisition of a track loader. This lease agreement qualifies as a capital lease for accounting purposes (title transfers at the end of the lease term for a nominal payment) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception.

	Balance 12/31/2005	Additions	Retirements	Balance 12/31/2006	Current Portion
Capital lease payable	\$ 223,000	\$ -	\$ 71,273	\$ 151,727	\$ 74,405
Total capital lease payable	\$ 223,000	\$ -	\$ 71,273	\$ 151,727	\$ 74,405

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Notes to the Financial Statements
December 31, 2006

Note 7. Long-term Debt, Continued

The following is a schedule of future minimum lease payments under the capital lease, and the present value of net minimum lease payments at December 31, 2006:

- A. Lease of track loader. The value of the track loader is \$273,000. The lease payment is \$80,695, paid annually. Interest is accrued at 4.15%. Accumulated depreciation on the asset is \$25,783.

Fiscal year ended:

12/31/2007	80,695
12/31/2008	80,696
Total lease payments	<u>161,391</u>
Less amount representing interest	<u>9,664</u>
Present value of lease	<u>\$ 151,727</u>

SUPPLEMENTARY INFORMATION

WASTE MANAGEMENT SERVICE DISTRICT #5
(A Component Unit of Beaver County, Utah)
Statement of Revenues, Expenses, and Changes in Net Assets – Budget and Actual
For the Year Ended December 31, 2006

	Proprietary Fund			Variance with
	Budgeted Amounts		Actual Amounts	Final Budget
	Original	Final	(Budgetary)	Positive
			Basis)	(Negative)
Operating revenues				
Charges for services	\$ 412,638	\$ 412,638	\$ 475,296	\$ 62,658
Operating expenses				
Collection expense	165,000	165,000	177,214	(12,214)
Advertising	300	300	436	(136)
Bad debt expense	-	-	1,660	(1,660)
Bank charges	-	-	-	-
Bond expense	510	510	510	-
Depreciation expense	-	-	72,816	(72,816)
Fuel	16,000	16,000	16,139	(139)
Insurance expense	13,000	13,000	46,991	(33,991)
Legal & professional fees	25,000	25,000	7,106	17,894
Licenses & fees	1,000	1,000	1,000	-
Miscellaneous expense	4,000	4,000	2,655	1,345
Office expense	6,000	6,000	5,766	234
Payroll tax expense	-	-	12,888	(12,888)
Closure & post closure expense	16,000	16,000	25,069	(9,069)
Rent & lease expense	400	400	400	-
Repairs & maintenance	146,000	146,000	19,811	126,189
Retirement expense	-	-	13,444	(13,444)
Salaries & wages	171,428	171,428	117,418	54,010
Travel & meals expense	1,000	1,000	2,291	(1,291)
Utilities	8,000	8,000	6,678	1,322
Total operating expenses	573,638	573,638	530,292	43,346
Net operating loss	(161,000)	(161,000)	(54,996)	106,004
Non-operating income (expenses)				
Gain (loss) on disposal of assets	-	-	-	-
Intergovernmental revenue	145,000	145,000	162,209	17,209
Interest income	16,000	16,000	32,129	16,129
Interest expense	-	-	(9,422)	(9,422)
Total nonoperating revenue (expenses)	161,000	161,000	184,916	23,916
Change in net assets	-	-	129,920	\$ 129,920
Total net assets--beginning	853,839	853,839	853,839	
Total net assets--ending	\$ 853,839	\$ 853,839	\$ 983,759	

OTHER COMMUNICATIONS
FROM
INDEPENDENT AUDITORS

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HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

**Independent Auditors' Report on
Internal Control over Financial Reporting
and on Compliance and Other Matters
Based on an Audit of Basic
Financial Statements Performed in Accordance
with *Government Auditing Standards***

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

Administrative Control Board
Waste Management Service District # 5
P.O. Box 278
Milford, Utah 84751

We have audited the basic financial statements of the Waste Management Service District #5, a component unit of Beaver County, and have issued our report thereon dated July 9, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for determining our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and recommendations to be significant deficiencies in internal control over financial reporting.

Uncorrected Accounts
Segregation of Duties
Sufficient Accounting Expertise

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider "Uncorrected Accounts" to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in the accompanying schedule of findings and recommendations.

The District's responses to the findings identified in our audit are described in the accompanying schedule of responses to the findings and recommendations. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended for the information of the board, management and various federal and state agencies and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC
July 9, 2007



**Independent Auditors' Report on Compliance With
State Laws and Regulations Based on an Audit
Of Basic Financial Statements Performed
In Accordance with the
State of Utah Legal Compliance Audit Guide**

MEMBERS:

KRIS J. BRAUNBERGER
DEAN R. BURDICK
ROBERT S. COX
BRENT R. HALL
KENNETH A. HINTON
MORRIS J. PEACOCK
PHILLIP S. PEINE
MICHAEL K. SPILKER
MARK E. TICHENOR

Administrative Control Board
Waste Management Service District #5
P. O. Box 278
Milford, UT 84751

We have audited the basic financial statements of Waste Management Service District #5; a component unit of Beaver County, for the year ended December 31, 2006, and have issued our report thereon dated July 9, 2007. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended December 31, 2006. The District received the following major State assistance program from the State of Utah.

Mineral Lease Distribution (Utah Department of Transportation)

Our audit also included test work on the District's compliance with the general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Special Districts
Other General Compliance Issues

The management of Waste Management Service District #5 is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described in the accompanying findings and recommendations letter. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Waste Management Service District #5, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort; or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended December 31, 2006.

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

July 9, 2007



HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

MEMBERS:

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MARK E. TICHENOR

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

Administrative Control Board
Waste Management Service District #5
P.O. Box 278
Milford UT 84751

Ladies and Gentlemen:

During our audit of the funds of Waste Management Service District #5 for the year 2006, we found an instance of noncompliance with the Utah state law. We also found several internal control weaknesses that, if implemented, would strengthen the District's internal control system. They are discussed below for your consideration.

State Compliance Findings and Recommendations:

Finding – Timely Deposit of Cash

Utah Code 51-4-2(2) requires that the District's receipts be deposited in the bank within three days of receipt. Tonya indicated that she sometimes has difficulty obtaining log sheets (from Beaver) in a timely manner because of the distance issue, which doesn't allow funds to be deposited within the 3 day period.

Recommendation

We recommend the District operate within the confines of State law by making sure that all receipts are deposited in the bank within three days of receipt.

Material Weakness Findings and Recommendations:

Finding – Uncorrected Accounts

The District does not properly account for certain financial statement accounts. Capital assets are being expensed as opposed to being capitalized. Liability payments are being expensed in full instead of the principal payments reducing the liability accounts. Accounts payable, accounts receivable, prepaid expenses, and payroll liability accounts are not updated at year-end. The District is not maintaining its own depreciation schedules and recording depreciation properly. A newly issued professional standard, Statement on Auditing Standards #112, indicates that this control weakness is a material weakness in the District's internal control.

Recommendation

We recommend that the District account for all accounts properly. Fixed assets should be properly capitalized as capital assets and the principal portion of liability payments should reduce the appropriate liability account instead of being recorded as an expense. Year-end adjustments should be made to accounts receivable, accounts payable, prepaid expense and payroll liability accounts so the year-end financial statements are accurate before the audit is begun. Also, the District should acquire appropriate depreciation software and District personnel should properly record depreciation in your financial records at least annually.

Significant Deficiency Findings and Recommendations:

Finding – Segregation of Duties

We understand that the size of the District and its administrative staff prohibit the complete and proper segregation of duties within its accounting functions; as a result, custody of assets and recording functions are not properly segregated for the cash receipts and expenses/accounts payable functions. Management has implemented controls such as management's review of disbursements that mitigate this weakness such that it is not deemed to be a material weakness; however, such segregation of duties provide important safeguards and controls to insure the proper recording, deposit and disposition of the District's funds.

Recommendation

As the District continues to grow and additional office staff are considered necessary, we recommend that management consider ways that segregation of duties can be achieved within its accounting and administrative functions. We would be glad to assist the District in the design and/or implementation of job descriptions and duties to properly achieve this segregation. We also recommend that management continue to monitor disbursements.

Finding – Sufficient Accounting Expertise

Newly issued Statement on Auditing Standards #112 indicates that it is a significant deficiency in the District's internal controls when the District's personnel do not have sufficient expertise to select and apply generally accepted accounting policies. It is our opinion that the District's personnel lack that level of expertise in the accounting field.

Recommendation

We suggest the District consider providing its accounting personnel with the appropriate training to provide them with the needed accounting expertise.

This letter is intended solely for the use of the District Board and management.

It has been a pleasure to be of service to the Board this past year. We would like to express a special thanks to each member of the staff and board who assisted us so efficiently in this year's audit. We found each person to be very helpful and cheerful. Particularly, a great deal of time was required by the District Clerk, Tonya Asay. We felt she made herself available whenever needed despite difficult time constraints. This certainly facilitated the timely completion of the audit.

We look forward to a continued pleasant professional relationship.

Sincerely,

Hinton, Burdick, Hall & Spilker, PLLC

HINTON, BURDICK, HALL & SPILKER, PLLC

July 9, 2007

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7300 South 800 East, P.O. Box 278
Milford, UT 84751-0278
(435) 386-2530 Fax(435) 386-2531 - bcwaste@infowest.com

**Waste Management Special Service District #5
Response to Findings and Recommendations
For the Year Ended December 31, 2006**

July 12, 2007

Hinton, Burdick, Hall & Spilker, PLLC
63 S. 300 E. Suite 100
St. George, UT 84770

Timely Deposit of Cash

Response

The District will make sure that all log sheets containing cash payment will be delivered to the District Office on a daily basis. If the cash money is unable to be deposited on the day received, it will either be deposited the next day, or no later than three days of receiving it.

Uncorrected Accounts

Response

The District will make the proper changes necessary in the way that the balance sheet accounts are kept. Year-end adjustments will be made so that financial statements are accurate before the annual audit is begun. The District will acquire appropriate depreciation software in order to properly record depreciation in our financial records annually.

Segregation of Duties

Response

The District will work with management in order to consider ways that segregation of duties can be achieved within its accounting and administrative functions. The District will also design job descriptions and duties to properly achieve this segregation. District management will have board reviews and closely monitor financial disbursements.

Sufficient Accounting Expertise

Response

The District will provide its accounting personnel with the necessary accounting training. As the District continues to grow and the additional hiring of office staff may increase, those hired will also be provided with the necessary accounting training.

Sincerely,

Tonya Asay
Tonya Asay, District Clerk

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